Compilation of Email and Written Comments
Received by Facilitation Team (June 1,2005 –June 5, 2005)

I have a home at Poipu which I rent on a vacation schedule so that I can take it off the market when I want to use it. I have been concerned about the possible limit on rental homes on the Island. I love my Hawaiin home and use it at least twice a year. I am a Pediatrician on the faculty of the University of Southern California School of Medicine and it is not possible for me to spend full time on the Island as yet. My late husband and I bought the lot over 40 years ago because it overlooked Brennecke"s Beach, at the time one of the best body surfing beaches in Hawaii. Unfortunately, he did not live to build a house. His last wishes were that his daughters and I bring his ashes to the Island and give them to the ocean off Brennecke's which we did. I built my first house in 1976 to plans draw by Charlotte McFaddan, the only architect on the Island at the time. It lasted until 1982 when Eva came and blew it away. It was considered totaled. I rebuilt and Iniki came and blew it away again. I now have my third house built to Charlotte'splan. I use the house regularly and bring my daughters and their families at least once a year. As I come regularly, I know several of my neighbors and visit them each time I come. If I could not rent it, I could not keep the house. It could not sit empty except for the current limited time I can be there. The house has great sentimental value for me and I should miss it more than I can tell you. All my family, my daughters, my grandchildren and myself love Hawaii deeply, especially Poipu on Kauai.

I attended the last two meetings on SFTVRs and applaud you and Jennifer for the excellent job you both did. We have been property owners here for over 13 years.

I didn't speak as I needed more time to formulate my thoughts. Here is an approach to mitigating the problems discussed. The table below lists classifications that could be available to any individual single family home on the Island. In the table, PR means permanent resident and NR means non-resident. NR includes homeowners who live on island but not in the home being classified.

Class	Description	Tax adjustment
A	PR, no rental of any kind	-15%
B	PR, sub-unit may be rented long term	-7.5%
C	NR, home may be rented long term	0
D	PR, sub-unit may be rented short-term	+7.5%
E	NR, home may be rented short-term	+15%
F	Resort/commercial	-

Rules:
1. Taxes would be calculated based on the value of the home and then would be adjusted up or down as indicated.
2. An owner may petition to dedicate his home to a higher class (A being the highest)at any time. The dedication must be for at least 10 years.

3. If an owner wishes to have a lower classification before a 10 year dedication is completed, he must pay all back tax benefits received with interest plus a declining penalty. If the change is in the first year of the dedication, 100% of the penalty is charged. In the second year, 90% penalty, third year 80%, and so forth.
4. The basic penalty amount varies with the degree of classification change. For example, changing from class A to class D incurs a greater basic penalty amount than changing from class A to C.
5. If a home is sold, the buyer inherits the same classification and obligations held by the seller.

An addidional idea is to encourage people to have secondary units for long-term rentals. That would entail easing some of the current restrictions and, perhaps, reversing classes A and B above.

This may be a bit disjointed, however it is an attempt to address the issue of SFVR issue on Kauai. I attended most of the meetings held as informational.

Some would like to separate the “Affordable Housing” issue for the SFVR issue from the SFVR issue. It is not possible. They are not mutually exclusive. Using the data presented the following seems to be true. The island has 750 SFVR of which 60% are outside of VDA, or about 450. Of those 20% are assumed to become long term rentals with a ban on SFVR, or about 90 units. An argument could be made that it may not be that many, because the rent may not be “affordable”.

Others would argue that SFVR are a bad thing in the neighborhoods, your own data would suggest the contrary. 75% of those surveyed responded that SFVR are not a problem. Actually, SFVR are often the showpiece of the street because vacationers want to have a clean, nice attractive place. Long-term rentals do not always have the greatest appearance.

At the meetings some “remembered the ‘good old days’ of the fine odor of the sugar mill”. I agree with it totally. I too wish the Lihue mill were operating. Shoppping at Kuhui grove was wonderful when the campaign was on. But alas! Sugar is gone, pineapple is gone never to return to its former level. Whether it is Seattle, Denver, Boise or Kauai, when days and times change we are left with two options. A) Suffer in disappointment. Or B) make the best of what we have. In this case it is tourism.

In any case adding 90 units it the long term rental pool will not solve anything. In fact it may accomplish just exactly what some are trying to avoid, increasing the price of SFVR where they are allowed. This is an issue of supply and demand and it is working, as it should. At this moment more supply is needed of affordable housing. How do we get there?

I would propose that the County develop two areas exclusively for affordable housing. One in the area just west of Kalaheo and one just north of Anahola. Both have large areas of Ag lands that could be developed using ONLY class C and D area. If each area had 200 acres divided into 800 X ¼ acre lots, it would provide 1600 sites. Even with the streets, sidewalks, curbs and infrastructure the lot size would still approach 9000 sq. ft. Each lot would/could be sold to island residents for them to build on or housing in the form of manufactured homes could be located on these sites. These homes are really very nice now and are built to code. Not the stereotype of the past. These homes could be sold/rented to island residents. Locating in these areas would make the commute to Hanalei or Kekaha and to Lihue equally convenient. Now lets see how this could be financed. In case you are interested. I am not in the manufactured home business or anything associated with it.

I see two avenues.

A) The county could authorize a bond issue to be drawn on "as needed" over the next five years. The timing will never be better. The revenues to the County are good now and interest rate are attractive. And how would we repay these bonds you ask? Well right now the county gets about $12 per acre from Ag land. This would increase to $4000 per acre (est. 4 lots at $1000 ea.) This revenue stream would not end when the bond were retired. Also, the sale/rent of the home would generate the cash flower greater than the need to repay.
B) A second scenario would be for the County to use its strength to underwrite private financing and that would encourage a developer/developers to acquire the land from the County and use the revenues to repay the loans with the County as the underwriter. The builders would have to be given some encouragement in the form of lower taxes for a specified time to be sure the loans are retried. After the loans are retired the tax income would return to the county, as is the usual case.

I am sure the critics will say, "The county does not belong in the housing business." But hey you are in it now.
What are the benefits of such a plan:

1) This could be accomplished in 5-6 years without taking up any land that is in fact capable of sustaining agriculture.
2) A reasonable supply of Affordable Housing would be made available. Either to rent or own.
3) Island owners would be able to participate in any appreciation on the homes like all other citizens.
4) The size of the supply is adequate to keep accelerated appreciation unlikely and the more modest appreciation would again reflect supply/demand for affordable housing.
5) The appreciation on the current SFVR's would not accelerate even more due to artificial restrictions on availability. Artificial regulations and controls never work. Historically they have inevitably led to accelerate prices of limited commodities.
6) The tourists living on the island will still be able to use SFVR, which have nto been a problem in the past. We can only use the industry on the island to create more prosperity for the very residents we are trying to protect

7) I own a SVFR near Poipu. Selfishly, I would be delighted to see restrictions on SFVR’s to force more to my place. It is not good for the island, it is not good for the current businesses that are prospering and hiring the people because of the allowed use.

By the way, one other thing… I have owned our home here since before Iniki, I have experienced the bad times and the good. People like me have been accused of getting rich on the accelerated values. Admittedly, in the last two or three years the acceleration has been high. However, in taking the price price I paid for the home, the cost of reconstruction after Iniki and using the rule of “72”, which says in effect a 10 % annual return compounded will double every 7.2 years. Now using the property value estimate now and diving by the cost, the rate of return over the life of our ownership has been about 11% per year. Good, but hardly usury.

As a matter of comparison, the County saw it fit to DOUBLE the assessed value in one year. That is in fact usuary. Some would argue the home owners are “greedy”, as was in the testimony, but the County says, its only catching up and it is not enough yet.” Well, you can’t have it both ways. If the homeowners are greedy then they pale by comparison with the resolve of the county to punish home owners that are catching up.

I would strongly recommend you be very careful with the plan to restrict SVFR’s therby reducing the availability too tourists, and subsequently reducing the number of visitors. You may get what you want and then who will build affordable housing and who would care anyway?